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CARIBBEAN DEVELOPMENT BANK



**PROJECT COMPLETION VALIDATION REPORT
WITH MANAGEMENT RESPONSE (APPENDIX I)**

**FISCAL CONSOLIDATION, GROWTH, AND SOCIAL
STABILITY POLICY-BASED LOAN**

JAMAICA

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**OFFICE OF INDEPENDENT EVALUATION
MAY 2022**

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PROJECT COMPLETION VALIDATION REPORT

**FISCAL CONSOLIDATION, GROWTH, AND SOCIAL STABILITY
POLICY-BASED LOAN**

JAMAICA

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**OFFICE OF INDEPENDENT EVALUATION
MAY 2022**

CURRENCY EQUIVALENT

Dollars (\$) throughout refer to United States dollars (USD) unless otherwise stated.

JMD1.00 = USD0.0111

USD1.00 = JMD90.00

ABBREVIATIONS

%	-	per cent
AMANDA	-	Application Management and Data Automation
ASYCUDA	-	Automated System for Customs Data Acquisition
BOD	-	Board of Directors
CSP	-	Country Strategy Paper
ED	-	Economics Department
EFF	-	Extended Fund Facility
FCGSS	-	Fiscal Consolidation, Growth, and Social Stability
FY	-	Fiscal Year
GCT	-	General Consumption Tax
GDP	-	Gross Domestic Product
IDB	-	Inter-American Development Bank
IFI	-	International Financial Institutions
IMF	-	International Monetary Fund
mn	-	million
OCR	-	Ordinary Capital Resources
OIE	-	Office of Independent Evaluation
PAS	-	Performance Assessment System
PATH	-	Programme for Advancement through Health and Education
PBL	-	Policy-Based Loan
PBO	-	Policy-Based Operations
PCR	-	Project Completion Report
PIOJ	-	Planning Institute of Jamaica
PWD	-	Persons with Disabilities
SBA	-	Stand-By Arrangement
SDF	-	Special Development Fund
SEZ	-	Special Economic Zones
USD	-	United States dollars
WB	-	World Bank

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EXECUTIVE SUMMARY

POLICY-BASED LOAN DESCRIPTION

1. The years following the 2008-09 global financial crisis and leading up to the approval of the Fiscal Consolidation, Growth, and Social Stability Policy-Based Loan (PBL) in late 2014 were marked by difficult economic conditions in Jamaica, including worsening fiscal imbalances and a growing debt overhang, stagnating output, and deteriorating social conditions. Despite efforts to contain public expenditure, notably via a debt exchange in 2010 that resulted in major interest savings, public revenue declined as a result of the contraction in economic activity. As a result, public debt continued to rise steadily, peaking at 146 per cent (%) of Gross Domestic Product (GDP) at the end of Fiscal Year (FY) 2012/13. Real GDP declined at an average rate of 0.8%, contracting every year except 2011. Output performance was reflected in labor market indicators as unemployment rose steadily through the period 2008-2013, reaching 14.9% (10.6% for males and 18.3% for females) by October 2013. Among other social challenges, the national poverty rate, at 9.9% in 2007, had more than doubled to 20% by 2014.

2. The PBL was a two-tranche 35 million (mn) United States dollars (USD) operation approved by the Board of Directors (BOD) on December 11, 2014 and became effective on December 19, 2014. The first tranche amounted to USD25 mn, consisting of USD15 mn from the Caribbean Development Bank's (CDB) Special Fund Reserves (SFR) and USD10 mn from CDB's Ordinary Capital Resources (OCR), and was disbursed at end-December 2014. The second tranche of USD10 mn from CDB's SFR was disbursed in December 2015, three months ahead of the scheduled date of March 2016. The PBL was part of a coordinated effort by several partners (International Monetary Fund (IMF), Inter-American Development Bank (IDB), and World Bank (WB) together with CDB) to support the Government's stabilization program, as part of a coordinated development partner response to Jamaica's economic context. Its objectives were threefold: support reforms that were geared towards: (a) achieving fiscal and debt sustainability; (b) improving the business environment with a view to achieving sustainable growth rates above 2%; and (c) mitigating the potential adverse impacts of the program on the more vulnerable groups in society.

EXPECTED OUTCOMES

3. PBL-supported reforms aimed at achieving fiscal and debt sustainability were expected to result in the following outcomes:

- (a) Achievement of a primary surplus on average 7.5% of GDP annually to 2019/2020.
- (b) Progressive reduction in the Public Debt-to-GDP ratio consistent with path toward 60% by 2025/26; 96% by FY 2019/2020.

4. Reforms aimed at improving the business environment were expected to result in the following outcomes:

- (a) Real GDP growth of at least 2% of GDP annually over the period 2014/15 to 2019/2020.
- (b) Improve Doing Business Indicator-Distance to Frontier score from 62.2 in 2013/14 to at least 67.79 over the period 2014/15 to 2019/2020.

5. Finally, reforms aimed at mitigating the potential adverse effects of the program on the more vulnerable groups in society were expected to result in the following outcomes:

- (a) Implementation of the Steps-to-Work Program, ensuring that at least 1000 Programme for Advancement through Health and Education (PATH)/Step-to-work beneficiaries are trained/in training by December 2015.
- (b) Improved Social Welfare targeting (PATH) in keeping with identified levels of poverty.
- (c) Increase in registration rates of Persons with Disabilities (PWDs) from 6% in December 2013 to 20% of PWDs population in December 2016.
- (d) Incremental reduction in poverty from 19.9% in 2012 to 17% by 2016.

EVALUATION OF PERFORMANCE

6. The Project Completion Report (PCR) was dated March 27, 2018, and was validated by the Office of Independent Evaluation (OIE) in May 2022. The Evaluator rates the overall performance of the PBL as *Satisfactory*, consistent with the rating in the PCR. With respect to the individual criteria, relevance, effectiveness, and efficiency were given satisfactory ratings using the Performance Assessment System (PAS) 2013 criteria in the PCR, ratings with which this validation concurs.

BORROWER AND EXECUTING AGENCY PERFORMANCE

7. The Evaluator concurs with the PCR's rating of the Borrowing/Executing Agency's performance as *Highly Satisfactory*, given its diligence in monitoring implementation progress of the operation and efficiency in implementing the reforms on the agreed schedule, which notably facilitated disbursement of the second tranche three months earlier than anticipated at the outset. The Borrower also made commendable efforts to undertake outreach to a broad range of stakeholders to participate in the reform program.

THE CARIBBEAN DEVELOPMENT BANK'S PERFORMANCE

8. The Evaluator concurs with the PCR rating of Satisfactory with respect to CDB's performance. CDB worked closely with the Government to design a PBL that was appropriate and achievable. The reforms were critical to the achievement of the Government's goals of achieving debt sustainability, growth, and social protection. The PCR notes, however, that some of the outcomes could have been more closely linked to the outputs for clearer attribution. CDB's close coordination and collaboration with the other principal partners (IMF, IDB, and WB) was commendable.

TABLE 1: SUMMARY RATINGS OF CORE EVALUATION CRITERIA AND OVERALL PERFORMANCE ASSESSMENT OF THE PROJECT

Criteria	PCR¹	OIE Review	Justification
<i>Relevance</i>	Satisfactory (3)	Satisfactory (3)	PBL objectives were aligned with the Jamaican authorities' goals, the country's development challenges and needs, and the CDB's Country and Corporate Strategy. There was also good-quality coordination and collaboration with the other principal development partners in preparing the PBL. The PBL's results framework was solidly put together and of satisfactory quality, although in a few cases the "line of sight" between outputs and outcomes sought could have been more clearly articulated.
<i>Effectiveness</i>	Satisfactory (3)	Satisfactory (3)	Results associated with the PBL were generally positive, although in some cases slightly below target. Over the period 2014-16 the fiscal accounts were stabilized with a primary surplus averaging 7%. The public debt-to-GDP ratio recorded progressive reductions from 145% of GDP in FY 2012/13 to an estimated 122.5% in FY 2016/17. Growth showed signs of modest growth acceleration, with a rate of 1.3% in 2016—up from 0.9% in 2015 and 0.5% in 2014, although it did meet the benchmark in the third quarter of 2016, growing by 2% year-on-year. Jamaica's Doing Business ranking improved from 94 in 2013/14 to 64 in 2016/17. Its Distance to Frontier also improved from 62.2 in 2013/14 to 67.27 in 2016/17, marginally below the 67.79 targeted for the period 2014/15 to 2019/2020. However, the 2015 national poverty rate increased to 21.2%, exceeding the target and the 19.9% recorded in 2012, although this was due at least partly to weather-related shocks which affected rural areas and agricultural production. Nevertheless, job growth in urban areas was buoyant, owing to increased activity in construction, hotels, and business process outsourcing. Similarly, the Steps-to-Work Initiative was mostly met (80% of the target 500 beneficiaries), with 400 persons registered under the Program were actively employed, of which 90% were women.
<i>Efficiency</i>	Satisfactory (3)	Satisfactory (3)	Reform measures (both prior actions and second tranche release conditions) were completed as scheduled and to satisfactory quality standards. The second tranche was disbursed at end-December 2015, three months earlier than expected.
<i>Sustainability</i>	Satisfactory (3)	Satisfactory (3)	Results achieved under the PBL have generally been sustained. Fiscal consolidation has continued its course, resulting in a continued progressive reduction in the debt-to-GDP ratio, which reached 94.3% in 2019 (it rose again to 108% of GDP as a result of the COVID-19 pandemic, but was expected to decline again thereafter, on target to reach 63% of GDP by 2026. Similarly, positive growth was sustained (until GDP declined by an estimated 10% in 2020 as a result of the pandemic), although it was generally below the 2% annual growth target. The Government also successfully completed the 2013-17 IMF Extended Fund Facility (EFF) Program and signed a successor Stand-By Arrangement (SBA) that supports continued focus on fiscal consolidation, macroeconomic stability, and growth-promoting reforms.

¹ The PCR used PAS 2013 scores and ratings.

Criteria	PCR¹	OIE Review	Justification
Composite (Aggregate) Performance Rating	Satisfactory (3)	Satisfactory (3)	The PBL is assessed as satisfactory on the strength of its relevance, effectiveness, efficiency, and sustainability.
<i>Borrower & EA Performance</i>	Highly Satisfactory (4)	Highly Satisfactory (4)	The Government diligently implemented PBL conditions as scheduled and to satisfactory quality standards, and its monitoring of PBL implementation was excellent.
<i>CDB Performance</i>	Satisfactory (3)	Satisfactory (3)	CDB did a satisfactory job designing and supervising the PBL, although in some cases PBL design could have more clearly articulated the “line of sight” from outputs to outcomes. CDB’s coordination and collaboration with the other key development partners involved was commendable.
<i>Quality of PCR</i>		Satisfactory (3)	The PCR provided a satisfactory qualitative overview of the status of the project at completion.

LESSONS LEARNED

9. The Evaluator agrees with following lessons highlighted in the PCR:
- (a) Strong country ownership, commitment, technical capacity and coordination are necessary for successful Policy-Based Operation (PBO) implementation.
 - (b) Close coordination with other multilaterals during project preparation and supervision enhances the impact of CDB operations. It also reduces transaction costs associated with donor assistance to the client governments, which is especially important at the time of major economic crisis.
 - (c) During design, careful attention must be paid to designing the results framework to achieve close proximity between outputs and outcomes.

1. BASIC PROJECT DATA SHEET

Project Title: Fiscal Consolidation, Growth, and Social Stability Policy- Based Loan
Country: Jamaica
Sector: Multi Sector
Loan No.: 23/SFR-OR-JAM
Borrower: Government of Jamaica
Implementing/Executing Agency: Ministry of Finance and Planning

CDB LOAN AND GRANT (USD mn)

<u>Disbursements (\$mn)</u>	<u>Ordinary Capital Resources</u>	<u>Special Fund Resources</u>	<u>Total</u>
Original Loan Amount	10.0	25.0	35.0
Total Loan Disbursed	10.0	25.0	35.0
Cancelled	-	-	-
<u>Project Milestones</u>	<u>At Appraisal</u>	<u>Actual</u>	<u>Variance (months)</u>
Board Approval (Original Loan)	2014-12-11	2014-12-11	-
Loan Agreement signed	2014-12-15	2014-12-15	-
Loan Effectiveness ²	2014-12-19	2014-12-19	-
<u>CDB Loan</u>	<u>At Appraisal</u>	<u>Actual</u>	<u>Variance (months)</u>
First Disbursement Date	2014-12-19	2014-12-19	-
Terminal Disbursement Date (TDD)	2016-03-31	2015-12-31	3
TDD Extensions (number)	-	-	-
<u>Project Cost & Financing (\$mn)</u>	<u>At Appraisal</u>	<u>Actual</u>	<u>Variance</u>
CDB Loan	35.00	35.00	-
CDB Grant	-	-	-
Counterpart (GOB)	-	-	-
Total	35.00	35.00	-
<u>Terms</u>	<u>Interest Rate</u>	<u>Repayment</u>	<u>Grace Period</u>
CDB Loan (SFR)	-	-	-
CDB Loan (OCR)	4.5 (variable)	12	5 years
<u>Implementation</u>	<u>At Appraisal</u>	<u>Actual</u>	<u>Variance (months)</u>
Start Date	2014-12-19	2014-12-19	-
Completion Date	2016-03-31	2015-12-31	-
Implementation Period (years)	1	1	-
<u>Economic Rate of Return (%)</u>			
At Appraisal	Not Applicable		

² Date conditions to First Disbursement satisfied

2. PROJECT DESCRIPTION

Background

The Fiscal Consolidation, Growth, and Social Stability (FCGSS) PBL was prepared as part of a closely coordinated multilateral support package to address the severe economic and social challenges facing Jamaica. Following the global financial crisis, the period 2008-2013 was characterized by fiscal imbalances and growing public debt, output contraction, and deteriorating social conditions. Fiscal imbalances, already on a deteriorating trend since 2005, worsened in the wake of the global crisis, driven by declining revenue as a result of the contraction in economic activity. GOJ's fiscal performance waned on the back of declining revenue collection, primarily reflecting the contraction of the economy, with the deficit peaking at almost 9% of GDP in 2009. Despite the Government's efforts to contain expenditure through a debt exchange in 2010 that helped trim interest spending as well as a reduction in capital spending, the lingering fiscal imbalances induced continued growth in public debt as a percentage of GDP, which reached 146% of GDP at end- FY2012/13, compared to 80.9% in 2008 and 70.6% in 2007.

1.01 In parallel, real GDP declined at an average annual rate of 0.8% over 2008-2013, contracting every year except 2011. The spill-over onto labour markets was reflected in rising unemployment, which rose steady during the period, reaching 15.2% in 2013, compared with 9.8% in 2007. The national poverty rate also rose significantly during the period, affecting 20% of the population in 2014 compared with 9.9% in 2007.

Rationale

2.01 In response to the context, the Jamaican authorities embarked on a program with a threefold aim: (a) restore fiscal balance, allowing the debt-to-GDP ratio to assume and sustain a downward trend; (b) improve the business environment with a view to restoring positive GDP growth; and (c) strengthen social safety nets in order to protect vulnerable groups from potential adverse effects of the program. Jamaica requested support from the IMF in the form of an EFF as well as from the WB, IDB, and CDB in the form of policy-based lending. Regarding CDB, the Jamaican authorities requested a two-tranche, USD35 mn PBO (USD 25 mn and USD10 mn, respectively), the FCGSS.

2.02 The FCGSS PBO was justified because: (i) the provision of external financing on favourable terms was important in a context in which the Jamaican government was aiming to reduce its debt burden and was facing difficulties in accessing external funds at reasonable cost; and (ii) the PBO would assist with fiscal consolidation and reducing debt, a necessary condition for restoring and sustaining economic growth and allowing progress in social and economic development.

2.03 The FCGSS PBL was approved by BOD on December 11, 2014 and became effective on December 19, 2014. The first tranche of USD25 mn comprised USD15 mn from CDB's SFR and USD10 mn from CDB's OCR and was disbursed in December 2014. The second tranche of USD10 mn from CDB's SFR was disbursed in December 2015, three months before the scheduled date of March 2016.

Expected Outcomes

2.04 The FCGSS PBO sought to help bring about three sets of outcomes:

Fiscal Consolidation

- Target a primary balance surplus on average 7.5% of GDP annually to 2019/2020.

- Consecutive reduction in the Public Debt-to-GDP ratio consistent with path toward 60% by 2025/26; 96% by 2019/2020.

Enhanced Growth and Competitiveness

- Target real GDP growth of at least 2% of GDP annually over the period 2014/15 to 2019/20.
- Improve Doing Business Indicator Distance to Frontier score from 62.2 in 2013/14 to at least 67.79 over the period 2014/15 to 2019/2020.

Effective Social Protection

- Steps-to-work is implemented and at least: (i) 1,000 PATH/Step-to-work beneficiaries are trained or in training by December 2015; and 500 PATH/ Step-to-Work beneficiaries (310 females and 190 males) are participating in income generating activity by December 2016.
- Improvements in Social Welfare targeting (PATH) in keeping with identified levels of poverty: (i) Baseline (2013: 418,000 individuals; and (ii) target (2016): 407,700 individuals.
- Increase in registration rates of PWDs from 6% in December 2013 to 20% of PWDs population in December 2016.
- Incremental reduction in poverty from 19.9% in 2012 to 17% by 2016.

Prior Actions and Second Tranche Release Conditions

2.05 The conditions to be satisfied prior to the approval of the PBO and the disbursement of the second tranche, respectively, are summarized in Table 2.

Implementation Arrangements

2.06 The implementation arrangements for the PBL were for the Economics Department (ED) to monitor progress of the implementation of reforms and measures that would underpin the disbursement of the second tranche through periodic visits, desk reviews of information and reports supplied by Jamaica's Ministry of Finance and Planning and such other means as CDB may deem appropriate. This confirms the significance of both PBLs being a mutually supportive package of support.

TABLE 2: PRIOR ACTIONS FOR BOARD PRESENTATION AND SECOND TRANCHE DISBURSEMENT CONDITIONS

Prior Actions for Board Presentation	Second Tranche Disbursement Conditions
<ul style="list-style-type: none"> • Enact the General Consumption Tax (GCT) Amendment Act, 2014. • Enact the Tax Collection (Miscellaneous Provision) Act 2014. • Enact the Tax Penalties (Harmonization) Act 2014. • Enact the Customs (Amendment) Act, 2014 (to facilitate implementation of Automated System for Customs Data Acquisition (ASYCUDA) World. • Improve Labour Force Productivity - passage of Employment (Flexible Work Arrangements) (Miscellaneous Provisions) Act, 2014. • Improve the efficiency of the Government’s development approval process - Implement the Application Management and Data Automation (AMANDA) tracking system. • Improve Banking and Insolvency framework - passage of Bankruptcy and Insolvency Act, 2014 by the House of Representatives and the Senate. • Create enabling environment for equality for Persons with Disabilities - Passage of The Disabilities Act, 2014. 	<ul style="list-style-type: none"> • Cabinet approval of Policy Paper to limit the use of virements. • Completion of the measurement and impact assessment framework. • Cabinet approval of regulations to support implementation of the Policy to limit the use of virements. • Implemented ASYCUDA World pilot at Kingston Port. • Improve Labour Force Productivity – employment (Flexible Work Arrangements) Legislation in effect. • Complete implementation of the AMANDA tracking system. • Improve Export Sectors Competitiveness – completed White Paper on the formation of Special Economic Zones (SEZs). • Bankruptcy and Insolvency legislation in effect. • Advance implementation of the policy, regulatory and legislative framework for PWD.

3. PROJECT COMPLETION REPORT REVIEW

Relevance

3.01 The Evaluator agrees with the PCR Assessment that the FCGSS PBL's relevance was satisfactory. The operation's objectives were in full alignment with those of the Jamaican government's program, which sought to reduce debt and achieve macroeconomic stability while implementing structural policies to enhance growth and reduce poverty. The operation also formed part of a well-coordinated effort by a group of international financial institutions (IFIs) to support the Jamaican Government's program.

3.02 Initially, CDB's Country Strategy Paper (CSP) for the period 2014-16 was aimed at three outcome areas: improving educational quality and training; strengthening resilience and reducing vulnerabilities to natural hazard events; and enhancing the quality of, and access to, community services and citizen security. The resource envelope under the Strategy was USD38.5 mn (Jamaica's allocation under SDF 8 of USD33.8 mn plus the Basic Needs Trust Fund allocation of USD4.7 mn). However, given the challenges facing Jamaica, the CSP's focus was adjusted to provide direct support for the government's reform program through the provision of the FCGSS PBL in December 2014. The operation's support for the implementation of reforms geared towards achieving fiscal and debt sustainability, improving the environment for doing business to achieve sustainable growth rates above 2%, and mitigating the potential adverse impacts of the program on vulnerable groups clearly addressed Jamaica's development needs.

3.03 In the Evaluator's view, the operation's relevance of design was also satisfactory. The program results matrix was of generally solid quality. In some cases, however, the "line of sight" from the outputs of the operation to the desired outcomes could have been more clearly articulated. For instance, it was unclear how the passage of the 2014 Employment (Flexible Work Arrangements) (Miscellaneous Provisions) Act would contribute to the training beneficiaries target under the Steps-to-Work program or improve the targeting of the PATH, although it could be expected to help relieve unemployment.

Effectiveness

3.04 Under the fiscal consolidation objective, there was a marked improvement in fiscal balances accompanied by a reduction in debt. The PBL helped stabilize the fiscal accounts to achieve a primary surplus of 7% on average over the period 2014-16. Regarding the target of a downward trend in debt with a view to achieving a progressive reduction in the public debt-to-GDP ratio consistent with a path toward 60% by 2025/26, a reduction from 145% of GDP in FY 2012/13 to an estimated 122.5% in FY 2016/17 was recorded. The outcomes sought were therefore fully achieved under this objective.

3.05 The outcome targets under the objective of enhanced growth and competitiveness were largely, though not fully, achieved. There were signs of a modest acceleration in GDP growth. Growth in 2016 was estimated at 1.3% in 2016—an improvement of over the 0.9% in 2015 and 0.5% in 2014, but still below the 2% target for the period 2015-2020. Nevertheless, growth in the third quarter of 2016 was slightly over 2% year-on-year and represented the seventh consecutive quarter of positive growth. With respect to the business environment, Jamaica's Doing Business ranking improved from 94 in 2013/14 to 64 in 2016/17. The Distance to Frontier indicator also improved from 62.2 in 2013/14 to 67.27 in 2016/17, although it still fell slightly below the 67.79 targeted for the period 2014/15 to 2019/2020. In the 2016 Doing Business Report, Jamaica was named among the 10 countries that most improved the business environment, making it the first in the Caribbean with regard to the ease of doing business, and sixth in Latin America and the Caribbean.

3.06 The gainful employment target for Steps-to-Work training beneficiaries was partially met (80% of the targeted 500 beneficiaries), with 400 persons registered under the Program actively employed (90% of

the beneficiaries were female). There was no information is provided in the PCR regarding registration of PWD. With respect to poverty, the targeted reduction was not met, as the 2015 national poverty rate increased to 21.2% from the target and the 19.9% recorded in 2012. However, this was due in part to drought-related shocks that affected rural areas and agricultural output. Nevertheless, job growth in urban areas was buoyant owing to increased activity in construction, the hotel industry, and business process outsourcing.

3.07 Based on the foregoing, the Evaluator concurs with the PCR's rating of the FCGSS PBL's effectiveness as Satisfactory.

Efficiency

3.08 The Evaluator concurs with the PCR's rating of the FCGSS PBL's efficiency as Satisfactory. The first and second tranches were disbursed in a timely manner (two weeks after Board approval and three months ahead of the scheduled date, respectively). Prior actions and second tranche release conditions were implemented on schedule, reflecting strong country ownership of the reform agenda, timely technical/capacity support, and appropriate sequencing of reforms from the design phase (prior actions—e.g., drafting and passage of a new law) to implementation phase (second tranche release conditions—e.g., enactment of the new law) through the life of the PBL.

Sustainability

3.09 The Evaluator agrees with the PCR's rating of the FCGSS PBL's sustainability as Satisfactory, noting however that the PCR does not directly review the extent to which results were sustained beyond the life of the PBL, confining itself to discussing the probable reasons why policy continuity was observed and outcomes were sustained. In particular, it does not review the extent to which the Steps-to-Work/PATH initiative was sustained, so the Evaluator has no basis for judging that. However, progress in other PBL outcomes was sustained in the ensuing years, at least until setbacks were encountered as a result of the COVID-19 pandemic. The fiscal primary surplus averaged about 7.5% of GDP during the period 2013-16, which led debt to decline as a ratio of GDP from 145% of GDP in 2012 to under 112% in 2016. Thereafter, the primary surplus remained above 7% of GDP through 2019, resulting in a further reduction of the debt-to-GDP ratio, which reached 94.1% at the end of that year. The debt to GDP ratio rose again to 108% at end-2020 as the primary surplus was halved to 3.5% of GDP owing to revenue losses and unanticipated expenditures as a result of the pandemic. With respect to GDP, annual growth remained positive, although under the 2% notional target, over the period 2013-19, before declining by 10% in 2020 due to the pandemic. That results achieved under the FCGSS PBL were sustained in subsequent years is thought to be attributable to the continued commitment of the government to the reform program, strong stakeholder support as a result of mechanisms to facilitate private sector and civil society involvement in the design and monitoring of reforms and continued strong support from key development partners.

Borrower/Executing Agency Performance

3.10 The Evaluator concurs with the PCR/s rating of Borrower performance as Highly Satisfactory. The government displayed strong commitment to the objectives of macroeconomic stabilization and to implementing the relevant reforms in fiscal management, the business environment, and social protection, all of which were implemented on time and to satisfactory quality standards. In addition, the government took specific steps to build a broad consensus around the reform program by implementing the country's first Social Partnership Agreement with private sector, labor union, and civil society organizations. This helped ensure strong stakeholder support as well as policy continuity following the February 2016 change in the party of government. To further strengthen private sector ownership and its contribution to the reform process, the Economic Growth Council, mainly composed of private sector stakeholders, was established

in 2016 with a mandate to identify and foster policy reforms and key investments to drive growth. This was accompanied by strong implementation at the senior technical level of Government, together with efficient monitoring and coordination of programme implementation.

Caribbean Development Bank Performance

3.11 Finally, the Evaluator concurs with the PCR's rating of CDB performance as Satisfactory. CDB designed the FCGSS PBL to adequate quality-at-entry standards, supporting reforms critical to achieving the program's objectives of debt sustainability, growth, and social protection, although the Program Results Matrix could have more clearly articulated the links between some of the reforms supported by the PBL and the outcomes sought. Supervision of the PBL appears to have taken place to good quality standards. Finally, CDB also worked diligently to coordinate with the other key development partners involved during PBL design as well as its implementation.

PBL Support for Cross-Cutting Themes

3.12 None of the measures supported by the FCGSS PBL were directly aimed at enhancing gender equity, protecting and improving the environment, or climate change mitigation and adaptation. Nevertheless, the PBL can be considered to have had a positive, if modest, impact on gender equity, given that the vast majority of the beneficiaries of the training conducted under the Steps-to-Work/PATH initiative who were subsequently employed were female. Similarly, the passage of the Employment (Flexible Work Arrangements) (Miscellaneous Provisions) Act in 2014 and its subsequent enactment is likely to have disproportionately benefited women. With respect to institutional development, PBL-supported reforms contributed to an improvement in revenue performance and public debt reduction. This took the form of strengthening of the Large Taxpayers Office, legislative support to increase the powers of the tax administration, the strengthening/reorganization of the Debt Management Branch, and revisions to the regulatory framework on debt. Moreover, a Public Investment Management System was established to help policymakers prioritize projects, monitor execution, and evaluate results. In addition, to broaden political support for the reforms, the Government signed the country's first social partnership agreement with private sector, labor union, and civil society organizations.

4. CONCLUSION

Summary Ratings of Core Evaluation Criteria and Overall Performance Assessment of the Project

Criteria	PCR	OIE Review	Justification
<i>Relevance</i>	Satisfactory (3)	Satisfactory (3)	PBL objectives were aligned with the Jamaican authorities' goals, the country's development challenges and needs, and the CDB's Country and Corporate Strategy. There was also good-quality coordination and collaboration with the other principal development partners in preparing the PBL. Quality-at-entry was satisfactory quality, although in a few cases the results framework could have more clearly articulated the "line of sight" between outputs and outcomes sought.
<i>Effectiveness</i>	Satisfactory (3)	Satisfactory (3)	Results associated with the FCGSS PBO were generally positive, although in some cases slightly below target. Over the period 2014-16 the fiscal accounts were stabilized with a primary surplus averaging 7%. The public debt-to-GDP ratio recorded progressive reductions from 145% of GDP in FY 2012/13 to an estimated 122.5% in FY2016/17. Growth showed signs of modest growth acceleration, with a rate of 1.3% in 2016—up from 0.9% in 2015 and 0.5% in 2014, although it did meet the benchmark in the third quarter of 2016, growing by 2% year-on-year. Jamaica's Doing Business ranking improved from 94 in 2013/14 to 64 in 2016/17. Its Distance to Frontier also improved from 62.2 in 2013/14 to 67.27 in 2016/17, marginally below the 67.79 targeted for the period 2014/15 to 2019/2020. However, the 2015 national poverty rate increased to 21.2%, exceeding the target and the 19.9% recorded in 2012, although this was due at least partly to weather-related shocks which affected rural areas and agricultural production. Nevertheless, job growth in urban areas was buoyant, owing to increased activity in construction, hotels, and business process outsourcing. Similarly, the Steps-to-Work Initiative was mostly met (80% of the target 500 beneficiaries), with 400 persons registered under the Program were actively employed, of which 90% were women.
<i>Efficiency</i>	Satisfactory (3)	Satisfactory (3)	Reform measures (both prior actions and second tranche release conditions) were completed as scheduled and to satisfactory quality standards. The second tranche was disbursed at end-December 2015, three months earlier than expected.
<i>Sustainability</i>	Satisfactory (3)	Satisfactory (3)	Results achieved under the PBL have generally been sustained. Fiscal consolidation has continued its course, resulting in a continued progressive reduction in the debt-to-GDP ratio, which reached 94.3% in 2019 (it rose again to 108% of GDP as a result of the COVID-19 pandemic, but was expected to decline again thereafter, on target to reach 63% of GDP by 2026. Similarly, positive growth was sustained (until GDP declined by an estimated 10% in 2020 as a result of the pandemic), although it was generally below the 2% annual growth target. The Government also successfully completed the 2013-17 IMF EFF Program and signed a successor SBA that supports continued focus on fiscal consolidation, macroeconomic stability, and growth-promoting reforms. Moreover, the government has continued to make commendable outreach efforts, so policy continuity and broad-based support for continuing reforms are strong.

Criteria	PCR	OIE Review	Justification
Composite (Aggregate) Performance Rating		Satisfactory (3)	The PBL is assessed as satisfactory on the strength of its relevance and sustainability. The overall performance Rating would have been enhanced if the second PBL was approved and executed as planned.
<i>Borrower & EA Performance</i>	Highly Satisfactory (4)	Highly Satisfactory (4)	The Government diligently implemented PBL conditions as scheduled and to satisfactory quality standards, and its monitoring of PBL implementation was excellent. The continuous outreach to non-Government stakeholders was particularly commendable.
<i>CDB Performance</i>	Satisfactory (3)	Satisfactory (3)	CDB did a satisfactory job designing and supervising the PBL, although in some cases PBL design could have more clearly articulated the “line of sight” from outputs to outcomes. CDB’s coordination and collaboration with the other key development partners involved was commendable.
<i>Quality of PCR</i>		Satisfactory (3)	The PCR provided a satisfactory qualitative overview of the status of the project at completion, although there were minor omissions, such as a discussion of the extent to which outcomes sought under the FCGSS PBO were sustained.

Other Criteria

4.01 Not relevant to this project.

Lessons

4.02 The Evaluator agrees with following lessons highlighted in the PCR:

- Strong country ownership, commitment, technical capacity and coordination are necessary for successful PBO implementation.
- Close coordination with other multilaterals during project preparation and supervision enhances the impact of CDB operations. It also reduces transaction costs associated with donor assistance to the client governments, which is especially important at the time of major economic crisis.
- During design, careful attention must be paid to designing the results framework to achieve close proximity between outputs and outcomes.

Project Completion Report Quality

4.03 The Evaluator rates PCR quality as *Satisfactory* as the PCR provides an adequate background to understand the project context and relevance, components and expected outputs. There were some weaknesses in the report, notably with respect to the discussion of the operation’s sustainability, where the section lacked a review of the extent to which outcomes sought under the PBO were sustained. There was also little discussion of the extent to which outputs achieved under the PBO contributed to the outcomes sought.

JAMAICA FISCAL CONSOLIDATION, GROWTH, AND SOCIAL STABILITY PBO

POLICY AND RESULTS MATRIX

Objectives	Prior Actions under Tranche 1	Means of Verification	Prior Actions under Tranche 2	Means of Verification
PILLAR I: FISCAL CONSOLIDATION				
Outcome: Improved fiscal outturns over the medium term				
Outcome Indicators:				
(1) Central Government Overall Primary Balance: Baseline – 5.4% of Gross Domestic Product (GDP) in 2012/13; Target: maintain an average primary balance surplus 7.5% annually to 2019/20.				
(2) Public Debt to GDP ratio: Baseline – 146.5% in FY2012/13; Target – Reduce debt consistent with path toward 60% by 2025/26; 96% by 2019/20.				
To improve tax administration	Enactment of: (i) The General Consumption Tax (GCT) Amendment Act, 2014. (ii) The Tax Collection (Miscellaneous Provision) Act 2014. (iii) The Tax Penalties (Harmonisation) Act 2014. (iv) The Customs (Amendment) Act, 2014 (to facilitate implementation of ASYCUDA World).	Copy of Gazetted legislation. Copy of Gazetted legislation. Copy of Gazetted legislation. Copy of Gazetted legislation.	Commence implementation of ASYCUDA World pilot at Kingston port.	Letter from Ministry of Finance (MOF) confirming commencement.
To enhance public financial management	Cabinet approval of an Action Plan for Public Sector Transformation. Cabinet Approval of Policy Paper to limit the use of virements.	Letter from Cabinet Office confirming approval of the Action Plan. Letter from Cabinet Office confirming approval of the Policy.	Cabinet approval of regulations to support implementation of the Policy to limit the use of virements.	Letter from Cabinet Office confirming approval of regulations to limit the use of virements.

Objectives	Prior Actions under Tranche 1	Means of Verification	Prior Actions under Tranche 2	Means of Verification
PILLAR II: ENHANCING GROWTH AND COMPETITIVENESS				
Outcome: Increased economic growth over the medium term; improvement in the business environment.				
Outcome Indicators:				
(1) Real GDP growth: Baseline – (0.7%) in FY 2012/13; Target – Achieve average growth of at least 2% over the period 2014/15 to 2019/2020.				
(2) Improvement in the Doing Business Indicator, Baseline – Distance to Frontier Score of 62.2 in 2013 (2014 Doing Business Report); Target – Maintain at least a score of 67.79 attained in 2014 (2015 Report) until 2019 (2020 Report).				
To improve the efficiency of the Government’s development approval process.	Implementation of the AMANDA tracking system in nine parishes and four commenting agencies.	Letter from the Permanent Secretary (PS), Ministry of Local Government and Community Development confirming implementation in all parishes and agencies identified.	Complete implementation of the AMANDA tracking system.	Letter from PS, Ministry of Local Government and Community Development confirming completion of implementation.
To improve the framework for the reorganization/windingup of businesses and consumers.	Passage of Bankruptcy and Insolvency Act, 2014 by the House of Representatives and the Senate.	Copy of legislation and letter from Clerk to Houses of Parliament confirming that legislation was passed in both Houses of Parliament, together with a copy of the Assent of the Governor General.	Banking and Insolvency Act comes into effect.	Copy of notice of commencement published in the Gazette.
To improve competitiveness of the country’s export sectors.	Completion of White Paper on the formation of SEZs.	Copy of White Paper.		
To improve labour force productivity.	Passage of Employment (Flexible Work Arrangements) (Miscellaneous Provisions) Act, 2014 by the House of Representatives and the Senate.	Copy of legislation and letter from Clerk to Houses of Parliament confirming that legislation was passed in both Houses of Parliament, together with a copy of the Assent of the Governor General.	Legislation to come into effect.	Copy of notice of commencement of the Act published in the Gazette.

Objectives	Prior Actions under Tranche 1	Means of Verification	Prior Actions under Tranche 2	Means of Verification
PILLAR III: ENHANCING POVERTY REDUCTION, EQUALITY AND PROTECTION OF VULNERABLE GROUPS				
Outcome: Effective social protection.				
Outcome Indicators:				
(a) Steps-to-work is implemented and at least: (i) 1,000 PATH/Step-to-work beneficiaries are trained or in training by December 2015; and 500 PATH/Step-to-Work beneficiaries (310 females and 190 males) are participating in income generating activity by December 2016.				
(b) Improvements in Social Welfare targeting (PATH) in keeping with identified levels of poverty: (i) Baseline (2013: 418,00 individuals; and (ii) target (2016): 407,700 individuals.				
(c) Increase in registration rates of PWDs from 6% in December 2013 to 20% of PWDs population in December 2016.				
(d) Incremental reduction in poverty from 19.9% in 2012 to 17% by 2016.				
To enhance and sustain social protection programming	Establishment of a multi-sectoral committee for coordinating the implementation of the National Social Protection Strategy.	Letter from the Director General, Planning Institute of Jamaica (PIOJ) confirming that the committee was convened; an inaugural meeting held; and TOR defined.	Cabinet notified of M&E Plan for the NSPS.	Copy of M&E Plan. Letter from the Director General of PIOJ that M&E Plan has been notified to Cabinet.
To create an enabling environment for equality for persons with disabilities (PWD).	Passage of The Disabilities Act, 2014 by the House of Representatives and the Senate.	Copy of legislation and letter from Clerk to Houses of Parliament confirming that legislation was passed in both Houses of Parliament, together with a copy of the Assent of the Governor General.	Advance implementation of the policy, regulatory and legislative framework for PWDs: (i) Cabinet approval of the public education/ sensitization strategy; and (ii) Cabinet approval of enhanced registry system for PWDs.	Letter from Cabinet Office confirming approval of public education and sensitisation strategy. Letter from Cabinet Office confirming approval of enhanced registry system for PWDs.
To improve efficiency in the use of resources to advance and sustain poverty reduction.	Establishment of an inter-sectoral committee for the National Poverty Reduction Policy and the National Poverty Program.	Letter from the Director General, PIOJ confirming that the committee was convened and an inaugural meeting held and TOR defined.	Establishment of the Institutional Framework for the National Poverty Reduction Policy.	Letter from the Director General, PIOJ confirming approval of the Institutional Framework.

Objectives	Prior Actions under Tranche 1	Means of Verification	Prior Actions under Tranche 2	Means of Verification
Strengthen the Integrated Community Renewal Program.	Project proposal submitted to CDB requesting TA support for the development of data collection systems; monitoring and evaluation system; and an enhanced governance framework in relation to the CRP.	Copy of project proposal.		

PUBLIC DISCLOSURE AUTHORISED

APPENDIX 2

CARIBBEAN DEVELOPMENT BANK



**PROJECT COMPLETION VALIDATION REPORT
FISCAL CONSOLIDATION, GROWTH, AND SOCIAL
STABILITY POLICY-BASED LOAN**

JAMAICA

MAY 2022

MANAGEMENT RESPONSE

The Draft Project Completion Validation Report was reviewed by staff of the Economics Department and we agree with the findings of the Office of Independent Evaluation.